Northern Development Initiative Trust

2010 Annual Report

Catalyst for Opportunities

Northern Development Initiative Trust
2010 Annual Report Dedicated in Memory of

Michael John Tarr

In honour of Mike Tarr's committed service to the Northern Development Initiative Trust, the 2010 Annual Report is dedicated in his memory.

Mike Tarr was appointed in April 2008 as the provincial appointee for the Northwest Region and immediately became a valued part of Northern Development Initiative Trust's Board of Directors. At the time of Mike's appointment he was the Chief Executive Officer at the Northern Savings Credit Union in Prince Rupert. As Chair of the Finance Committee, Mike was committed to maintaining the Trust's financial success and he could always be counted on for sound advice during board discussions.

Message from the Chair and CEO

Central and northern British Columbia continues to excel in utilizing the Northern Development Initiative Trust to innovate and drive the economy during our 'Northern Decade'. Over six hundred and fifty individual investments were made 'BY THE NORTH - FOR THE NORTH' and have flowed into projects where communities, First Nations and businesses take leadership in growing jobs, revenues and our quality of life.

Beyond flowing $25.5 million in funding to our communities in 2010, the single biggest difference that Northern Development made to our central and northern BC communities was in building community capacity.

Thanks to a $250,000 partnership agreement with the New Relationship Trust, our Grant Writing Support Program was expanded across the breadth of the province into numerous First Nations communities. As a result, in 2010 grant writers in sixty-nine BC communities (of which forty-three are First Nations) collectively wrote funding applications for community and not-for-profit needs of $64.3 million. To date, $15 million has been approved with $30 million awaiting funding decisions from various funders and levels of government. The result of this program is that communities have dramatically increased their capacity to "shake the money tree" and derive more dollars to meeting local economic and social needs.

Community capacity was also dramatically impacted in 2010 by the Internship Program that successfully placed university graduates from rural communities into the challenging and rewarding work of community economic development and local government. The youthful energy of UNBC graduates Derek Baker, Evan van Dyk and Kelly Bryan forever changed Northern Development. After successfully landing great professional positions as economic development officers for Prince Rupert/Port Edward, Terrace and Tumbler Ridge, their collective talent is strengthening the dynamism that these communities bring to partnerships with industry and local business in their communities. It was such a great experience and success for Northern Development and rural communities that the Intern Program has been expanded. In 2011, the program will be expected to turn out four to six highly polished northern university graduates following their six month internship which will offer practicum placements that serve the needs of communities throughout the region.

Manufacturing, businesses and resource sector suppliers increased their use of the Competitiveness Consulting Rebate program by 40% in 2010. These companies utilized this program to help fine tune their productivity and increase the potential for their small and medium sized businesses. Levelling the playing field for access to strong business consulting expertise by offering 50% rebates through Northern Development allows businesses to increase revenues, jobs and opportunities across the North.

Business creates jobs, and communities create quality of life as well as the right business environment. Rural people are by their very nature industrious and collaborative and used to scarce resources and community amenities as compared to our urban counterparts. Northern Development is more than just programs and funding. Northern Development is also about collaboration, creating and maintaining relationships and with an attitude of 'HOW TO GET TO YES" making the North a better place for us all to work, live and recreate.

Evan Saugstad
Chair
Northern Development Initiative Trust

Janine North
Chief Executive Officer
Northern Development Initiative Trust

Governance Model

The Northern Development Initiative Trust is governed by a board of directors appointed by Regional Advisory Committees and by the Province. The Board meets quarterly in person and by telephone conference as required. The Board is composed of elected local government officials and business leaders representing all areas of central and northern British Columbia. The Board is responsible for Northern Development's strategic direction, policy decisions, and effectiveness.

There are eight directors on the Northern Development Board appointed by the four Regional Advisory Committees:

Appointed by Regional Advisors

Evan Saugstad
Chair,
Northern Development
Mayor, Chetwynd
Northeast Region

Lori Ackerman
Councilor, Fort St. John
Northeast Region

Ted Armstrong
Director,
Cariboo Regional District
Cariboo-Chilcotin/Lillooet
Region

Mitch Campsall
Mayor, 100 Mile House
Cariboo-Chilcotin/Lillooet
Region

David Pernarowski
Mayor, Terrace
Northwest Region

Lance Hamblin
Chair, Finance Committee,
Northern Development
Chair, Regional District of
Bulkley-Nechako
Northwest Region

Stephanie Killam
Mayor, Mackenzie
Prince George Region

Dan Rogers
Mayor, Prince George
Prince George Region

There are five directors on the Northern Development Board appointed by the Province:

Appointed by the Province

Gerald Wesley
Chief Negotiator,
Tsimshian First Nations
Treaty

Lita Powell
Vice Chair,
Northern Development
Taylor

Fred Punko
Prince George

Michael Tarr
Finance Committee Chair,
Prince Rupert – Deceased

Currently Vacant: Cariboo Region and Northwest Appointees

The Northern Development Board is also advised by the four Regional Advisory Committees that each elect two directors to the Board. The four Regional Advisory Committees are comprised of sixty-four locally elected leaders from each of the regions. The current list can be found at: http://northerndevelopment.bc.ca/our-team/regional-advisors. The Cariboo Chilcotin/Lillooet fund is advised by eighteen elected regional advisors, the Northeast fund by twelve, the Northwest fund by twenty-two, and the Prince George fund by twelve. Regional advisors meet quarterly to review funding applications, policy recommendations, strategic plans, and to discuss regional economic development issues. Local and regional intelligence, a low level of bureaucracy, and a strong focus on engaging communities as partners enable Northern Development's highly effective funding delivery model.

Vision, Mission, and Priorities

Northern Development's vision is that northern BC has world-class industries, diversified regional economies and growing, energetic communities. Northern Development's mission is to be a catalyst for northern BC to build a strong and diversified economy by stimulating economic growth through strategic and leveraged investments.

The five priorities that support Northern Development's vision and mission are funding program delivery, economic development capacity building, partnerships and networking, business development, and demonstrating best practices.

Northern Development seeks to influence others to invest in economic development, to create a positive investment climate, and influence the types of growth that will be sustainable, diversify local economies, and benefit the people of the North.

Introduction to Northern Development

Northern Development Initiative Trust, more commonly known as Northern Development, was created as an independent corporation in 2004/2005. It was based on legislation from the Province of British Columbia and two deposits comprising a capital base of $185 million. It was centered on the principle that "The best economic development decisions for the North should be made in the North." Northern Development is a regional corporation which identifies and pursues opportunities for sustainable economic growth and job creation in central and northern British Columbia. $185 million was invested in financial instruments in 2005.

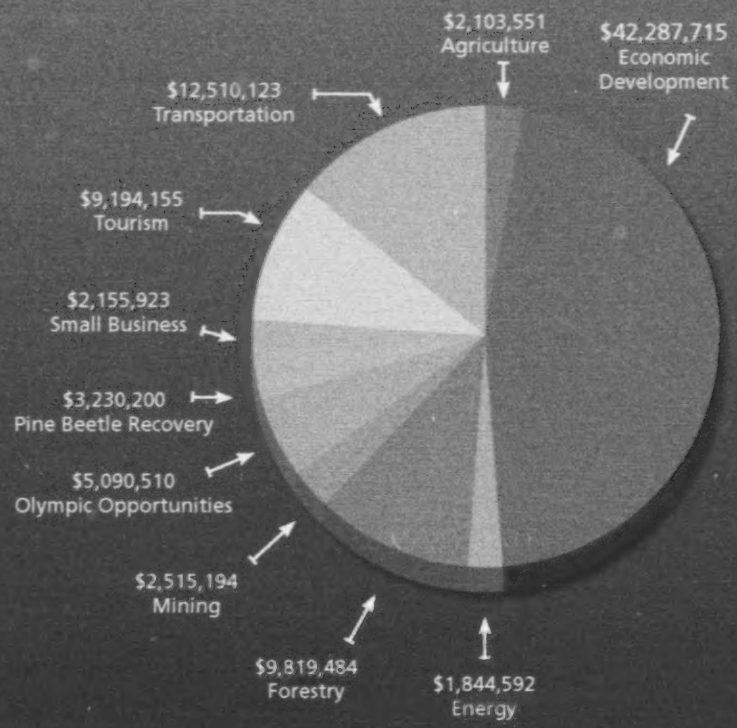
The principle and investment income has been available for loans and grants. The total balance of the Northern Development Initiative Trust as of the end of December 31st, 2010 was $188.3 million. This is after $75.6 million has been disbursed into communities from inception to December 31st, 2010, creating a 40.8% return on the Province's investment after just five years.

$90.7 Million in Total Approved Project Investments

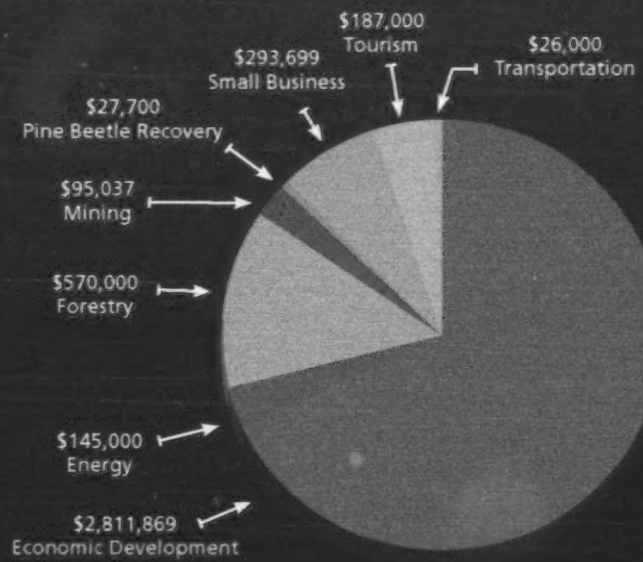
The inaugural funding application intake took place in the fall of 2005. Funding application intake has increased 700% over the first two years (2005 and 2006) combined. Local intelligence compels strong decisions and effective resource allocation. Northern Development does not create any bureaucracy, but instead, maintains a strong focus on engaging communities as a partner to achieve mutual success. Due diligence and funding decision time frames vary by complexity of program, ranging from a couple of days to up to two months. Other agencies, such as Western Economic Diversification (Community Adjustment Fund program), and the BC Innovation Council (Young Innovator Scholarships), rely on the Trust to deliver funding based on its effectiveness and proven track record of success.

Project financial reporting is usually analyzed and cheques to project proponents processed within ten business days. Projects continue to report on measurable statistics, such as job creation, positive economic impacts and incremental revenue increases for five years from project inception. Fund disbursement has increased rapidly over the past five years.

Funding by Investment Areas in Legislation



2010 Funding by Investment Areas



The Northern Development Initiative Trust Act mandates investment in self-sustaining projects covering ten areas of the economy. These areas include Energy, Forestry, Mining, Olympic Opportunities, Agriculture, Transportation, Small Business, Tourism, Pine Beetle Recovery, and Economic Development. There are no specific targets for any of these areas, and Northern Development approves projects on their impact, sustainability, and individual merit as it pertains to each individual funding program.

Goals and Achievements over the First Five Years

Northern Development Initiative Trust's strategic goal is to directly and through leveraged investment, bring between $1 and $2 billion into communities of the region to aid in realizing their economic potential by 2020, and to have a sustainable base of $185 million to do it again every decade. From inception in 2005 through December 31st, 2010, total project funding of $90.7 million was approved. This has been leveraged with other funding to bring a total commitment of $942 million in project funding to the region over the past five years.

This goal entails achieving the following results by 2020 or sooner and progress will be reported annually:

1) Over 2,000 funding partnerships and 1,000 projects by 2020
   - There are currently 1,352 funders partnering with Northern Development to support 654 projects

2) Creation of 10,000 jobs by 2020
   - 4,328 jobs have been created to date, or 43% of goal

3) 100% of communities engaged and positively impacted
   - As of 2008, every community had projects that provide positive impacts. Impacts are reported every year for up to five years after funding commences

4) Leveraging ratio of at least $2.50 from other sources for every $1 invested in projects
   - Cumulative average is $1 from Northern Development to $9.38 from other sources

5) Return on Investment (ROI) of 5% on invested funds
   - Average 4.0% over the previous five years (including the 2008/2009 stock market collapse), with 10.7% returns in 2010 on a conservative balanced portfolio

6) Average Return on Investment (ROI) of 5% annualized on cash flow out to projects divided by the starting capital base of the Trust
   - Current annual average is 6.8%, or 40.8% cumulative from January 2005 to December 31st, 2010

7) To enable the hiring and training of at least 1,000 grant writers, and provide funding support to increase capacity for forty community economic development programs annually
   - Over 900 grant writers trained to date. 147 hired by communities, including 64 First Nations, from 2007 to 2010
   - 40 municipalities and 9 regional districts have received a total of $3.9 million dollars to date for projects expanding their internal economic development capacity

8) To facilitate the establishment of 2,000 additional hectares for industrial development

- 4,026 ha in industrial land has been facilitated in the Prince George region with the Airport Industrial Lands removal in principle from the Agricultural Land Reserve, the Regional District of Fraser-Fort George Industrial Land studies funded by Northern Development, and the development of the Fraser Lake light industrial subdivision

9) To streamline the "get to yes" process to less than ninety days for a complete application

- Depending on the program, proponents receive decisions on applications within two to sixty days
- On average, projects received an approval within 14.3 days of submitting a complete application

10) To have projects in every mandated area of the legislation

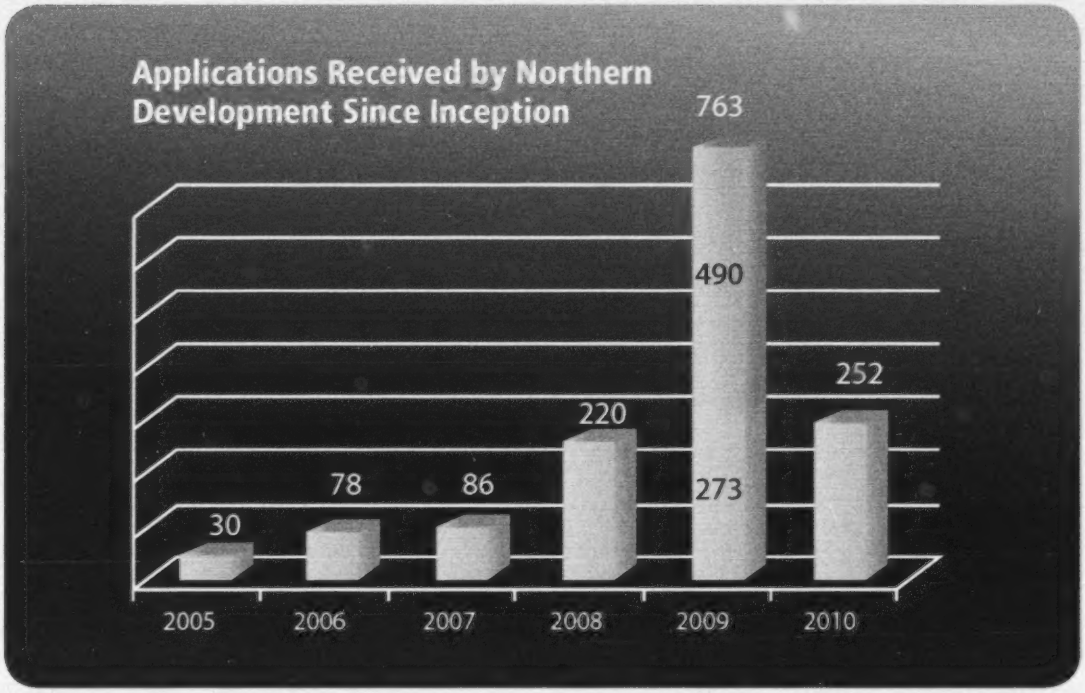
- This was achieved by 2008

11) To engage the private sector (business/investment dollars) in over 30% of all projects

- 25% of projects (165 of 654 total approved projects) have investment from business as of December 31st, 2010

12) To provide exceptional client service

- Annual client satisfaction survey in 2010 resulted in a 98% overall approval rating



490 Community Adjustment Fund applications shown in green

Trust Priorities

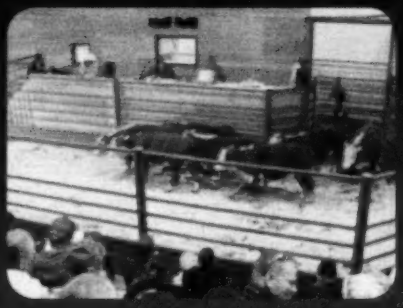
Northern Development Initiative Trust has Five Priorities:

- **Funding Program Delivery**
  Fund economic development opportunities in central and northern British Columbia
- **Economic Development Capacity Building**
  Facilitate the growth of economic development capacity in the region
- **Partnerships and Networking**
  Facilitate funding and develop relationships to increase the flow of funding into the region
- **Business Development**
  Facilitate the growth of the wealth creating business sectors in the region
- **Demonstrating Best Practices**
  Demonstrate best practices in economic development, fund management, financial management and governance

Funding Program Delivery

During 2010, staff worked very closely with local governments, First Nations, non-profits, and businesses who wished to access Northern Development funding throughout the region. Staff continue to be focused on providing a high level of client service, coaching applicants to success, networking with other funding agencies to move projects forward, and conducting due diligence prior to Board recommendations.

Overall, application intake for Northern Development programs in 2010 was very comparable with the demand for programs experienced in 2009. Two hundred and fifty-two project applications were received in 2010 in comparison to two hundred and seventy-three received in 2009 (not including four hundred and ninety additional CAF applications). 100% or two hundred and six applications reviewed by the Regional Advisory Committees and Board of Directors were approved in 2010. The thirty-five projects or 14% of applications received that were not reviewed by the Regional Advisory Committees and Board of Directors were either deferred to the following year by the applicant (applications were submitted too early to Northern Development – not yet fully formed as fundable projects), withdrawn by the applicants, or were projects that are not eligible under Northern Development's funding mandate. The clients were advised very quickly following receipt of their applications that the project was ineligible.



The Dawson Creek Exhibition Association rebuilt the Northeast Regional Auction Mart that burned down in 2004. This new facility is now supporting local agricultural producers with a means to distribute product locally and outside of the Province.

Economic Diversification Infrastructure

The Economic Diversification Infrastructure program supports the construction of infrastructure throughout the region that directly diversifies the economy. This program directly creates new jobs and increases revenues in the Trust region, supports the diversification of local and regional economies through infrastructure and capital investment, and is accessible to organizations throughout central and northern BC, particularly those located in small communities and rural areas.

The Peace Region Palaeontology Research Centre was expanded significantly in 2010 with funding support from Northern Development to the Tumbler Ridge Museum Foundation.

Program at a glance

4 Approved Projects in 2010	$163,037
Approved Project Investments	92 Infrastructure Projects
Total Funding Invested	$40.2 million
Total Investment Attracted to Region	$244.6 million
40 Communities, 9 Regional Districts and 20 First Nations	

Results since inception of the program

Feasibility Studies

The Feasibility Studies program lays the groundwork and informs major infrastructure projects and capital investment in the region to increase revenues generated from outside central and northern BC. Up to $20,000 can be provided to feasibility studies which identify the need and business case for future infrastructure projects.

Program at a glance

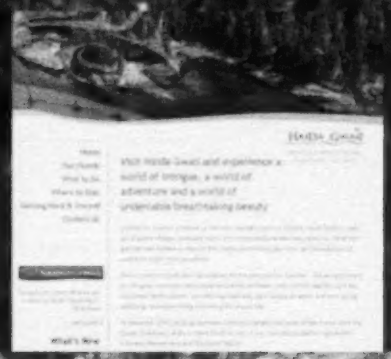
8 Approved Projects in 2010	$99,108
Approved Project Investments	48 Projects
Total Funding Invested	$1.5 million
Total Investment Attracted to Region	$418.9 million

Results since inception of the program

The Green Heat Initiative, based in the Cariboo region, has been funded to build relationships and to assess the potential for retrofitting rural community infrastructure with green heating alternatives.

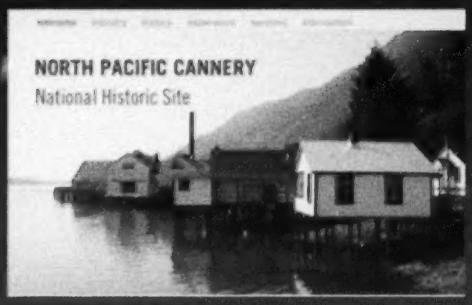
The Terrace Economic Development Authority coordinated a study with the Friends of Shames group to assess if the Shames Mountain Ski Area could be re-envisioned as a non-profit cooperative. The study has informed the group which is currently offering co-op memberships through the My Mountain Co-Op intitiative that has achieved national media attention.

The Misty Isles Economic Development Society has created a new destination marketing website and campaign that focused on the 2010 Winter Olympics in Vancouver to attract visitors to Haida Gwaii.



Marketing Initiatives

The Marketing Initiatives program provides organizations with matching funding towards the marketing of their local assets, products and capabilities. Up to $20,000 can be provided to marketing initiatives which will directly attract new investment and increase revenues to the region from outside of central and northern BC.



The Port Edward Historical Society has re-branded the North Pacific Cannery National Historical Site in 2010 with funding support from the Marketing Initiatives program to develop a new tourism website.

Programs at a glance

3 Approved Projects in 2010	$30,000
Approved Project Investments	13 Marketing Initiatives
Total Funding Invested	$230,655
Total Investment Attracted to Region	$1.18 million

Results since inception of the program

Industry Attraction Rebate

The Industry Attraction Rebate program improves investment readiness within the region and empowers communities to take a strategic approach to targeting industry attraction with matching grants up to $20,000. Funding aids communities in identifying local strategic advantages, understanding the needs of the target industry and how they can meet those needs, and facilitate discussions with senior executives at target companies.

With the announcement of the Mt. Milligan mine operation, the District of Fort St. James has undertaken a comprehensive analysis of its local assets and hoteliers to attract major accommodation investment to the community with the support of Northern Development's Industry Attraction Rebate.

Programs at a glance

2 Approved Projects in 2010	$29,000
Approved Project Investments	8 Industries Attracted
Total Funding Invested	$97,115
Total Investment Attracted to Region	$200,258

Results since inception of the program

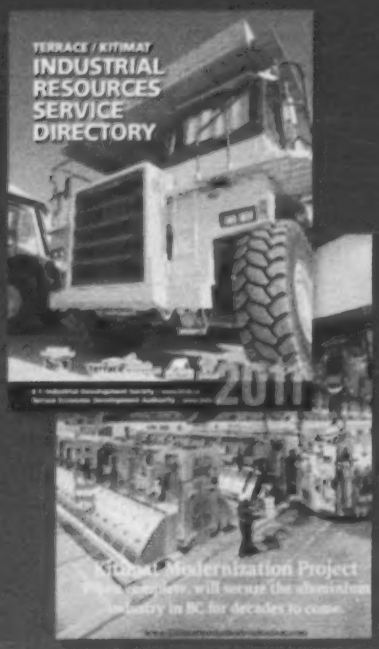
Economic Development Capacity Building

The Economic Development Capacity Building program is annual funding up to $35,000 to support economic development capacity in municipalities and regional districts. This incremental funding goes directly to in-house economic development activity, with a portion of funding allocated to promote collaborative projects between communities or economic development organizations and any other partners including business.

Program at a glance

47 Approved Projects in 2010	$1,398,389
40 Communities and 9 Regional Districts	
Approved Annual Investments	123 Grants
Total Funding Invested	$3.9 million

Results since inception of the program



The Terrace Economic Development Authority in partnership with the Kitimat-Terrace Industrial Development Society used its annual Economic Development Capacity Building funding in 2010 to develop a comprehensive supply directory that advertises manufacturing and supply businesses in the region.

The Thompson-Nicola Regional District has accessed the Economic Development Capacity Building program each year to support the Thompson-Nicola Film Commission which attracts major motion pictures, television series, and commercials to film within the region each year.

Northern Development has supported the startup of the College of New Caledonia's MINE Truck Driver training program that will be initially offered at the Burns Lake campus. This innovative program provides citizens in the region with training to secure employment at mining operations such as the Endako Mine in Fraser Lake.

Grant Writing Support

The Grant Writing Support program supports fifty-four communities each year with a $7,500 grant to hire a grant writer to increase the grant monies flowing into central and northern BC. In addition, there is a goal to train 1,000 individuals in grant writing across the province by 2020. This program adds additional capacity to respond to community priorities and non-profit requests, and dramatically increases the success communities have in applying for grants from community funding sources. A partnership with the New Relationship Trust has increased program capacity from fifty-four to eighty-four positions on an annual basis. First Nation communities throughout all of British Columbia are encouraged to apply for grant writer positions.

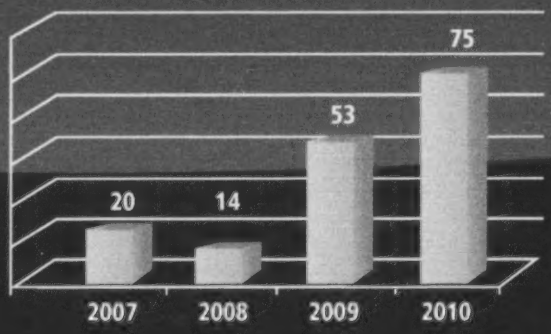
In 2010, Andy Ackerman, Grant Writer, North Peace Economic Development Commission wrote two hundred and fifty-five proposals, applying for over $22 million on behalf of three communities and one regional district in the Northeast region.

Program at a glance

75 Approved Projects in 2010	$544,938
147 Total Grant Writing Positions to Date; 83 in Communities and 64 in First Nations	
Total Grant Writers Trained	Over 900
Total Grants Applied for in 2010	Over $53 million

Results since inception of the program

Grant Writing Positions Funded Since Program Launch in 2007



Community Foundations and Matching Grants

The objective of the Community Foundations and Matching Grants program is to assist municipalities and regional district electoral areas in Northern Development's region in establishing or growing a community foundation endowment that supports local social, cultural, environmental needs, and empowers local decision making. These investments will exist in perpetuity, and promote local decision making within the community foundation framework to meet local needs. This creates another source of long-term funding to maintain local wealth within the community and create positive economic and social outcomes. Fourteen new and five expanded community foundations have been established through this program.

Program at a glance

1 Approved Project in 2010	$50,000
Foundation Investments	19 New or Expanded Foundations
Total Funding Invested	$0.84 million
Total Investment Attracted to Region	$1.88 million

Results since inception of the program

Community Halls and Recreation Facilities

The Community Halls and Recreation Facilities program improves the sustainability and event hosting capacity of facilities that generate revenues for non-profits and the tourism sector. This, in turn, creates revenues and improves the quality of life for local residents. This program is also accessible to all rural areas that would not usually have an opportunity to develop larger economic development infrastructure projects. Grants up to $30,000 are provided and loans for larger amounts may be available.

Program at a glance

15 Approved Projects in 2010	$481,659
Approved Project Investments	74 Projects
Total Funding Invested	$4.3 million
Total Investment Attracted to Region	$33.3 million

Results since inception of the program

The All Native Basketball Tournament saw another successful year in Prince Rupert in 2010. The new seating funded through Northern Development directly supported the event which creates seasonal employment and significant tourism revenue in the community each year.

Competitiveness Consulting Rebate

The Competitiveness Consulting Rebate program was developed in partnership with the Business Development Bank of Canada. This program provides the manufacturing and resource sector supply chain with 50% rebates for management consulting expertise to expand operations and improve profitability. It helps manufacturers, processors, and their suppliers grow their businesses, implement world-class business practices and increase competitiveness in global markets. This is a customized solution to suit unique business requirements and provides access to regional and national consultants with a verified track record of expertise.

Program at a glance

33 Approved Projects in 2010	$307,301
Approved Consulting Projects	74 Projects
Total Rebates to Business Invested	$0.57 million
Total Invested by Businesses in Consulting	$1.14 million
Communities	17

Results since inception of the program

The North Pine Farmers Institute accessed specialized management consulting expertise via the Competitive Consulting Rebate in 2010. This enabled the non-profit to secure an elevator and rail head access to reach global markets and supply agricultural services in northeast BC for decades to come.

Pinnacle Pellet announced construction of a new wood pellet manufacturing facility that will create twenty nine new positions in Burns Lake. The company plans to utilize the Capital investment and Training Rebate to support its investment and training of new employees.

Capital Investment and Training Rebate

The Capital Investment and Training Rebate program incents direct job creation through support of new investment and workforce expansion within central and northern BC's manufacturing sector. This program allows manufacturers, who are the wealth creating base of our economy, to train an expanding workforce and increase productivity.

Program at a glance

8 Approved Projects in 2010	$830,124
Approved Project Investments	21 Startups or Expansions
Jobs Incented	992 New Manufacturing Jobs
Total Funding Invested	$7.9 million
Total Investment Attracted to Region	$137.2 million
Communities	10

Results since inception of the program

Pioneer Biomass has utilized the Capital Investment and Training program to support the startup of their grinding operations in the Cariboo region.

Northern Industry Expansion

The Northern Industry Expansion program is offered in partnership with the Business Development Bank of Canada. Northern Development can guarantee up to $1 million or 25% of a loan provided by the Business Development Bank of Canada, significantly increasing the amount of capital available to businesses wishing to pursue growth projects in central and northern BC. The program is available for all manufacturers, resource industries, and first line suppliers.

Program at a glance

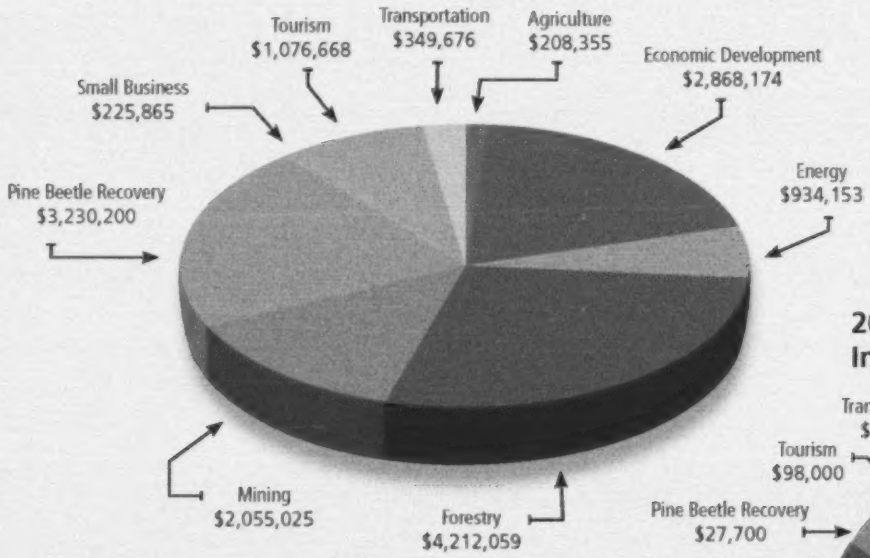
3 Approved Projects in 2010	$203,750
Approved Project Investments	3 Industrial Expansions
Total Guarantee Amount Accessed	$203,750
Total Private Investment	$1.69 million

Results since inception of the program

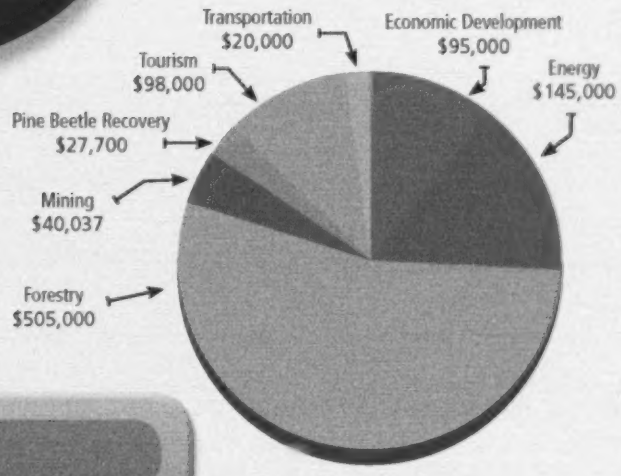
Pine Beetle Recovery Account Funding

Pine Beetle Recovery Account Funding ensures that resources exist for communities, First Nations, non-profits, and businesses to diversify economies impacted by the Mountain Pine Beetle. Priorities and strategies that have been crafted by the Cariboo-Chilcotin Beetle Action Coalition, the Omineca Beetle Action Coalition or the Southern Interior Beetle Action Coalition support the Board in decision making on applications that come forward to this Northern Development funding account.

Pine Beetle Recovery Investments by Mandated Area



2010 Pine Beetle Recovery Investments



Account at a glance

10 Approved Projects in 2010	$930,737
Approved Project Investments	65 Projects
Total Funding Invested	$15.16 million
Total Investment Attracted to Region	$170.7 million

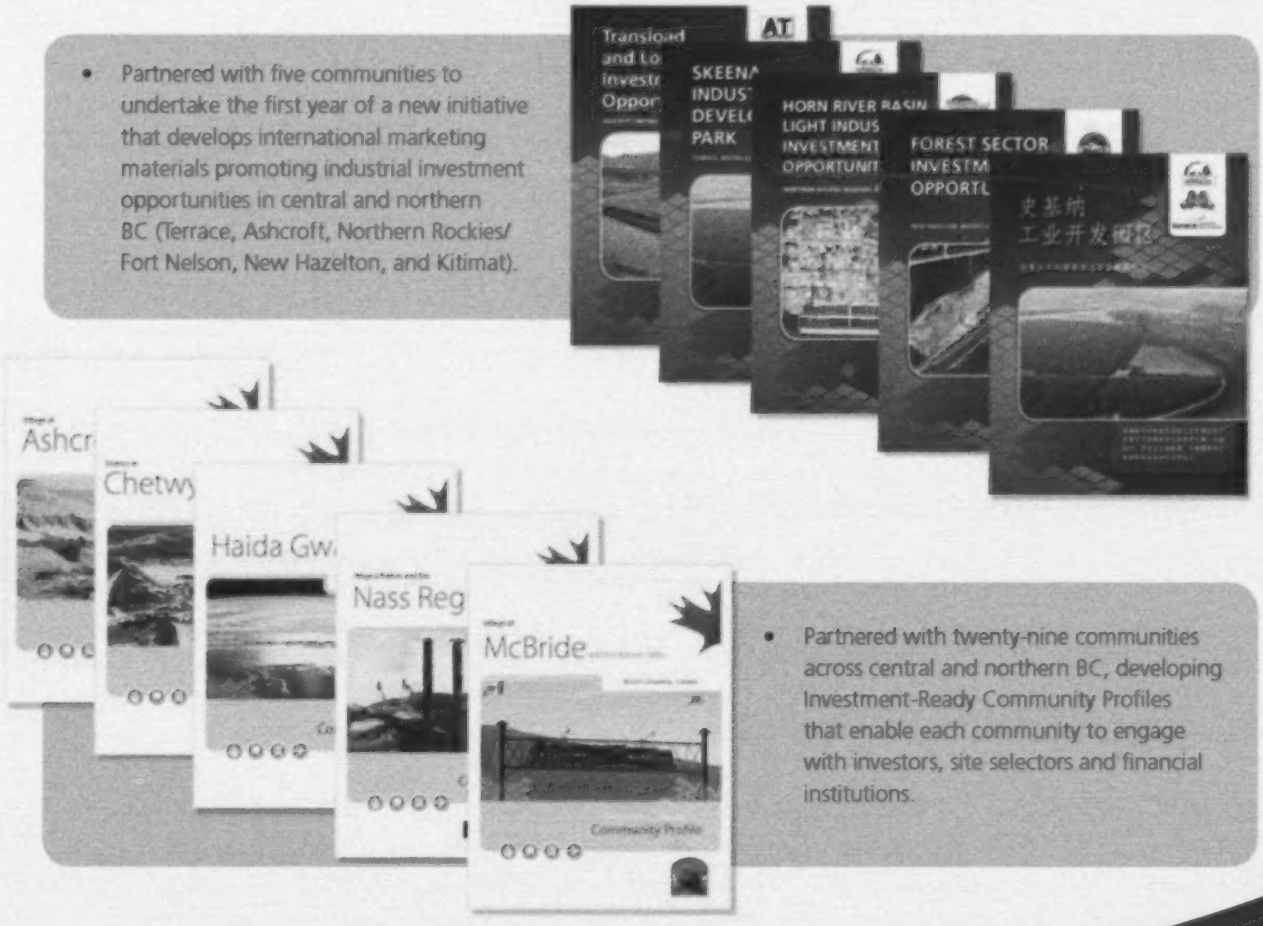
Results since inception

Economic Development Capacity Building

Northern Development facilitated the growth of economic development capacity in the region through the following initiatives in 2010:

- Partnering with InvestBC to provide investment-ready marketing materials on behalf of communities for distribution by internationally-based Trade and Investment Representative Offices operated by the Province of British Columbia.

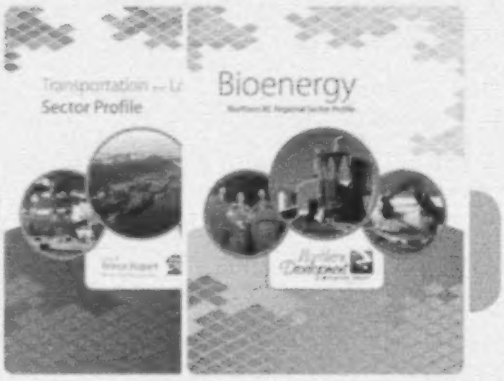
- Partnered with five communities to undertake the first year of a new initiative that develops international marketing materials promoting industrial investment opportunities in central and northern BC (Terrace, Ashcroft, Northern Rockies/ Fort Nelson, New Hazelton, and Kitimat).



- Partnered with twenty-nine communities across central and northern BC, developing Investment-Ready Community Profiles that enable each community to engage with investors, site selectors and financial institutions.

- Partnered with Fort St. John and the North Peace Economic Development Commission to undertake a competitive analysis of the community compared to other cities in Alberta and British Columbia.

- Developed sector profiles for transportation and logistics, and the bioenergy industries.

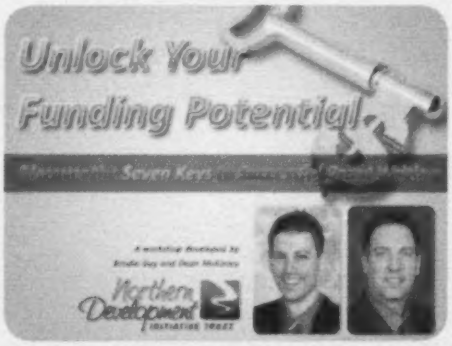


Northwest Economic Development Course Ellensburg, WA

In August, thirteen Economic Development and Chief Administrative Officers from across the region attended the Northwest Economic Development Course in Ellensburg, Washington. The course provided intensive training in the basic concepts, methods, and strategies of local and regional economic development.

'Unlock Your Funding Potential' Workshop

A new four-hour grant writing training workshop was developed for delivery in communities across central and northern BC, and online via an interactive webinar. The workshop focuses on the keys to success prior to writing proposals – working with stakeholders, building project outlines, and writing compelling proposals.



Economic Development Intern Program

Three University of Northern BC commerce degree graduates were hired into a practical economic development internship program. The Regional Managers and interns worked to establish partnerships with communities to develop investment readiness material and initiate business retention and recruitment work to assist communities and gain relevant work experience.

Work term placements were secured for the interns in Terrace, Fort St. James, Williams Lake, and Tumbler Ridge. The placements enabled interns to be well-positioned for permanent Economic Development Officer jobs, which they were successfully recruited to.

Derek Baker
Prince Rupert and Port Edward

Evan Van Dyk
Terrace

Kelly Bryan
Tumbler Ridge

Business Development

Mines and Major Energy Projects Enabled by the Northwest Transmission Line

The CEO participated in meetings with mining industry executives, Federal Ministers, Deputy Ministers, the Chair and Executive of the BC Transmission Corporation, and BC Hydro to further advance industrial need for this transmission infrastructure in a timely period.

BC Business Council

The CEO, as a Governor on the BC Business Council participated in their meetings with the Premier, Cabinet Ministers (provincial and federal) and business leaders to advance the policy interests of the central and northern BC region. The CEO co-wrote a contributing paper for the 2020 Economic Outlook conference series, reviewed the summary proceedings and moderated a speakers panel.

Northern Industry Expansion Program

Staff developed the policy framework, negotiated terms with the Business Development Bank of Canada and Candian Imperial Bank of Commerce and launched the program in April 2010.

Ridley Terminals Inc.

Northern Development Chair Evan Saugstad and the CEO were involved in advocating for terminal expansion and supply chain solutions for industry and northern communities at the request of communities.

Red Chris Mine

A Northern Development Director and the CEO participated in a tour of the proposed mine site with Federal and Provincial Ministers, community and First Nations leadership to determine regional economic opportunities from this major mine development.

Ridley Island Terminal

Port of Kitimat

Women's Enterprise Centre – Provider Summit

The CEO spoke on the northern economy, Northern Development business programs and the success of Northern Development as a funding model and organization.

BC Log Home and Timber Building Industry Conference

The CEO presented to the log home construction industry on how they could utilize Northern Development business programs.

BC Rail Properties

Northern Development Chair Evan Saugstad, Board Directors and the CEO met with Ministry of Transportation senior executives to urge that the property portfolio from Lillooet north to Fort Nelson be more actively marketed to business owners and developers to increase the regional tax base and employment opportunities.

Regional District of Bulkley-Nechako Business Forum – Burns Lake

A Regional Manager presented Northern Development's business incentives to an audience of business leaders and local government leaders at the bi-annual forum.

Northeast Energy Conference – Fort St. John

The CEO spoke on competitive advantages of the northeast economy and Northern Development business and community programs.

BC Export Awards

The CEO attended as the guest of the Deputy Minister of Tourism, Trade and Investment, as three regional companies who received Northern Development Competitiveness Consulting Rebate program funding were honoured.

Federal Senate Hearing on the Future of the Forest Industry

The CEO travelled to Ottawa to present a set of recommendations to improve the future of the forest industry at the invitation of the Senate Committee Chair.

Partnerships and Networking

Connecting Citizens

A Regional Manager participated on the review and adjudication committee for the Connecting Citizens grant program, which assists local internet service providers with the infrastructure costs associated with the delivery of high-speed internet connectivity to homes and businesses in rural and remote locales in British Columbia. Grants of up to $50,000 were available from a funding envelope of $1.5 million.

Meeting of the Minister of Community and Rural Development and the Economic Development Trusts

Northern Development Chair Evan Saugstad and the CEO met with the other Economic Development Trusts and briefed the Minister of Community and Rural Development. Topics discussed included success to date, review process and best practices.

BC Natural Resource Forum

The CEO and staff participated in the BC Natural Resource Forum and the CEO was involved in the formational meeting of the Northern Bioenergy Partnership.

BC Rural Secretariat, Ministry of Community and Rural Development

The CEO and Regional Managers met with the Assistant Deputy Minister and Rural Secretariat staff by phone or in person throughout the year to facilitate community capacity development and communicate Northern Development success and best practices.

Expanded Grant Writing Support Program with New Relationship Trust

Northern Development partnered with the New Relationship Trust to expand the Grant Writing Support program to First Nations communities. The additional $250,000 provided by the New Relationship Trust funded sixteen grant writing positions within Northern Development's region and fifteen positions throughout the rest of British Columbia.

Initiatives Prince George China 101 Workshop – Prince George

The Regional Managers and interns participated in workshops with delegates from China Ocean Shipping Company (COSCO), CN Intermodal/Logistics, Export Canada, Department of Foreign Affairs and International Trade, and Initiatives Prince George, covering topics of increasing trade and exports in northern BC communities.

North Central Local Government Association Conference – Smithers

The CEO was a speaker at this annual conference attended by community leaders and municipal staff from across the north-central region. The CEO spoke on the Northwest Transmission Line and the project's economic development potential for northern BC. The Regional Managers and interns staffed a trade show booth and took the opportunity to talk with local government representatives to find out where Northern Development could assist them with their priorities.

Nechako-Kitamaat Development Fund

The CEO met with the Chair of the Board to share best practices, organizational success, and potential future funding partnerships.

Vancity Capital, Social Enterprise Portfolio

The CEO met with a VanCity Investment Manager to explore areas of common funding interest.

Minister of Small Business and Technology

The CEO participated in a focus group meeting regarding the innovation and commercialization of technology and provided a briefing relevant to resource technology and northern BC.

Downtown Prince George Workshops

The CEO and a Regional Manager participated in workshops focused on downtown renewal in Prince George and local economic development opportunities.

Northwest Corridor Development Corporation

The CEO provided individual presentations to the Northwest Corridor Development Corporation and the Fort St. John City Council on accessing Northern Development programs and success of the organization to date.

Service Providers - Financial Institutions, Lawyers and Accountants

The CEO and the Chief Financial Officer met with executives from financial institutions, law firms and accounting firms to share regional economic intelligence and provide information about Northern Development programs for their clients.

Economic Development Association of BC Conference

The CEO was a speaker at this annual conference attended by economic development practitioners from across the province. The CEO spoke with the other regional economic trust CEOs with an update on Northern Development's Five Years of Success. The Regional Managers and interns also attended this annual event, networking and meeting with economic developers from across central and northern BC to learn about initiatives and provide advice and assistance.

Omineca Beetle Action Coalition – Agriculture Centre Strategy

A Regional Manager met with members of the Omineca Beetle Action Coalition, provincial staff, and agricultural producers to inform fundraising and planning for a proposed partnership between the agriculture sector and the University of Northern BC, proposing to establish an Agriculture Centre in northern BC.

Union of BC Municipalities Conference

The Regional Managers participated in the Funders' Forum, meeting with a variety of local government staff and elected officials to discuss project ideas and funding opportunities. Northern Development Chair Evan Saugstad and the CEO met with Ministers, MLA's, senior bureaucrats and community leaders.

Junior Chamber of Commerce International

The CEO was the guest speaker for the Lower Mainland Chapter, on the provincial relevance of the northern resource economy and leadership lessons.

UNBC Jeux de Commerce (JDC) West Non-Profit Team – Coaching

The Regional Managers coached University of Northern BC Commerce students on non-profit management and the development of case studies as they prepared for the JDC West Business Case Competition.

Bioenergy Investor Forums – Prince George and Quesnel

The CEO was a speaker and the Regional Managers participated in the Bioenergy Investment Forums held in Prince George and Quesnel. The forum provided an opportunity for regional producers to discuss potential biomass projects with the Austrian Biomass Heating Delegation and breakout sessions on funding biomass heating projects, biomass heating project development, sharing knowledge and technologies, and moving forward, biomass heating in BC.

Leadership Lessons from Influential Women

The CEO was a group facilitator and speaker at this event organized by Business in Vancouver.

Department of Foreign Affairs and International Trade – Invest Canada Community Initiative

A Regional Manager represented Northern Development and the central and northern British Columbia regions on the review and adjudication committee for the Department of Foreign Affairs and International Trade's Invest Canada Community Initiatives (ICCI) program. This program provides federal funding support to communities to increase investment readiness to attract foreign investment to Canada.

North Central Local Government Association Executive

Northern Development Chair Evan Saugstad and the CEO met with the North Central Local Government Association executive to discuss respective mandates, roles, process and common interests for influence and advocacy.

Media Tours in the Region and Media Relations

Northern Development Chair Evan Saugstad and the CEO responded to media enquiries from across the province. The CEO facilitated industry tours in Prince George, Fort St. John, Chetwynd and Mackenzie for a Business in Vancouver reporter which increased media coverage of northern resource industries and communities.

Enterprising Non-Profits

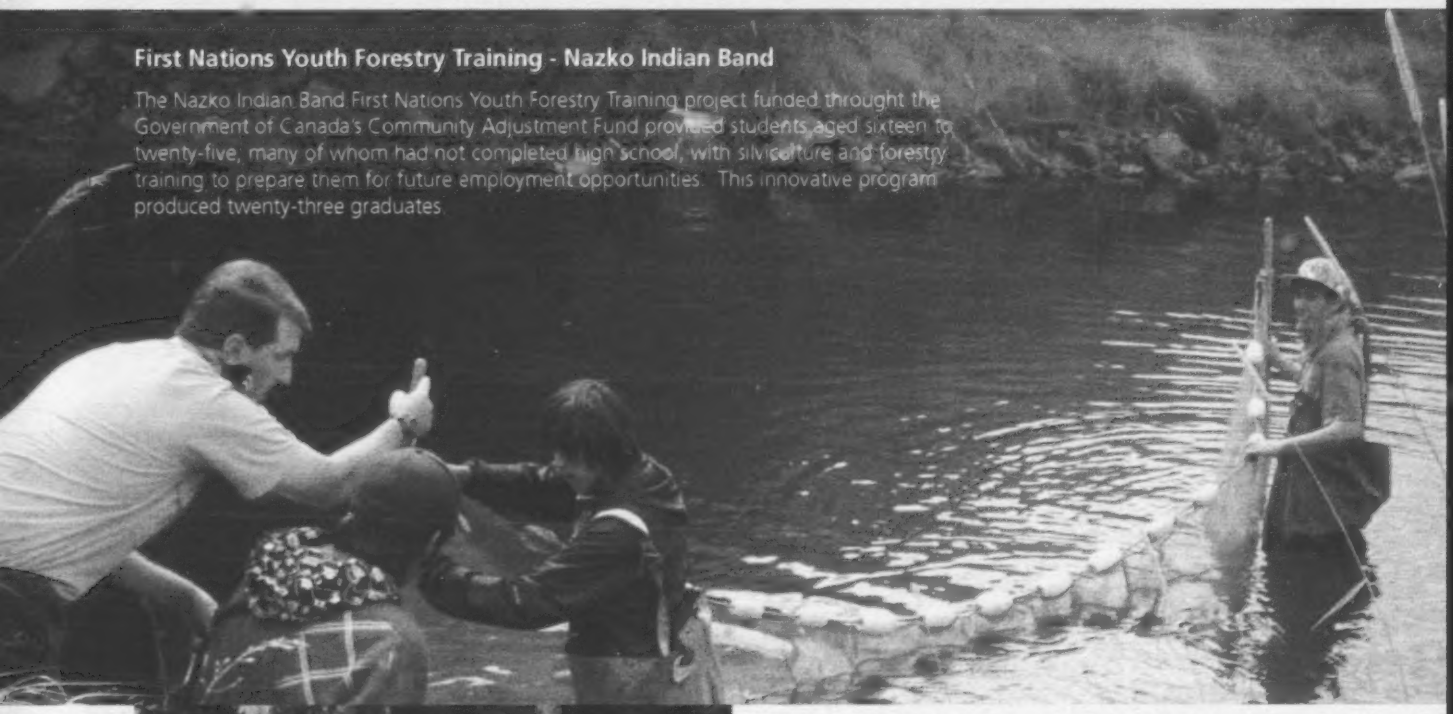
The Regional Managers represent Northern Development and the central and northern British Columbia regions on the review and adjudication committee for Enterprising Non-Profits annual funding intakes. Enterprising Non-Profits receives annual funding from Northern Development and is focused on supporting and developing social enterprise in British Columbia non-profit organizations that undertake entrepreneurial initiatives to support their social mandate and financially sustain their operations.

Community Adjustment Fund (CAF) Program Management and Reporting

$26.6 million (88.7% of total $30 million dollars) has been provided to CAF recipients based on the stage of project completion. Nineteen projects were substantially finished by December 2010. Pro-active project involvement with CAF clients has resulted in 0% slippage in funding. Northern Development staff conducted site visits of all repayable projects and twenty non-repayable projects in 2010 and Western Economic Diversification CAF program managers accompanied staff on several project tours. Northern Development hired an independent audit firm (Dean Mason and Company Inc.) to conduct an independent third-party audit of all CAF projects, resulting in a favourable audit opinion on all CAF files. This was followed by an audit by Collins Barrow LLP, of Edmonton, a firm selected by Western Economic Diversification, which also resulted in a favourable opinion.

First Nations Youth Forestry Training - Nazko Indian Band

The Nazko Indian Band First Nations Youth Forestry Training project funded throught the Government of Canada's Community Adjustment Fund provided students aged sixteen to twenty-five, many of whom had not completed high school, with silviculture and forestry training to prepare them for future employment opportunities. This innovative program produced twenty-three graduates.



"The First Nations Youth Forestry Training Program has completely exceeded our expectations. Many of the participants entered the program as shy children facing an uncertain future and left the program as empowered young adults ready to embrace their future."

Brenda Gardiner,
General Manager, Nazko First Nation

Demonstrating Best Practices

Community Funding Programs – Implementing Key Deliverable Analyses

Continuous improvement of the community funding programs was focused on refining 'Key Deliverables' required by each program as well as new scorecard assessment tools for each program. The key deliverables and scorecard are central to qualification and eligibility criteria for each program. The refinements implemented in 2010 increased focus on creation of incremental employment and revenue generation as well as now capturing the pre-project baselines for jobs and revenues for every project funded by Northern Development.

Additionally, new client friendly application guides and forms utilizing Java technology were created for every community funding program in 2010. The new forms assist clients in applying for funding and streamline program eligibility criteria while also implementing new key deliverables criteria.

Human Resource Issues and Governance Training

Six board directors attended the Institute of Corporate Directors course on Governance for Not-For-Profit Directors. The CEO was consulted on human resource issues and staff evaluations for several Economic Development organizations and local governments. Governance training was also provided to three non-profit boards in Terrace.

Catalyst™ Software Development

In 2010, Northern Development undertook a comprehensive re-design of the organization's proprietary grants management software system. The new software, 'Catalyst' enables Northern Development to manage the full lifecycle of every grant application from initial enquiry, application, due diligence, Regional Advisory Committee support, board decision, funding agreement, cheque disbursements, ad-hoc reporting, and more. A Regional Manager spearheaded design and implementation of the system through the first half of the year working with the software developer, All-North Consulting. The Chief Financial Officer spearheaded further development in the second half of 2010 with important improvements to financial reporting tracked and produced by Catalyst. In April 2010, the CEO and staff presented to Western Economic Diversification Information Technology staff from Ottawa on how the Catalyst software and systems enabled efficient delivery of the Community Adjustment Fund. Federal staff were doing a cross-Canada tour and analysis of how best practice project management software could inform their own information systems re-design process.

Client Satisfaction Surveys

Northern Development developed and administered a Client Satisfaction Survey in October of 2010 to continually improve in the alignment of programs and processes with client needs. Northern Development received favourable comments and survey results, with a 98% overall approval rating. All clients over the first five years of Northern Development's history were surveyed. The survey will be administered annually to new clients.

Standardized Contracts and Reporting Forms

Northern Development made significant upgrades to contract templates in 2010, and has established reporting forms for all programs. The standardized reporting forms increase consistency between projects in all programs, outline required attachments, and improve the clarity and auditability of project files. Revised contract templates are user friendly, and outline more clearly the processes for receiving project payments. Together, these initiatives increase the efficiency of processing project reporting and the tracking of measurable statistics for both Northern Development staff and Northern Development clients.

Finance Systems and Processes

Northern Development upgraded its accounting program in 2010 to allow for increased efficiency and reporting capabilities during a period of increased activity as many projects approved through the first five years of Northern Development's existence move through their reporting phase. Adagio financial software was implemented in July of 2010.

Records Management

Northern Development conducted Request for Proposals in 2010 for banking services and Information Technology (IT) services. The result has been more efficient service agreements at a lower cost to Northern Development. Northern Development's new IT provider has enabled the growth of the Catalyst software system and the implementation of a higher powered accounting system with ease, and has increased the reliability and integrity of data back-ups. The new banking services provider has online software compatible with Northern Development's accounting software, enabling "real time" tracking of bank transactions and allowing clients to make loan repayments electronically.

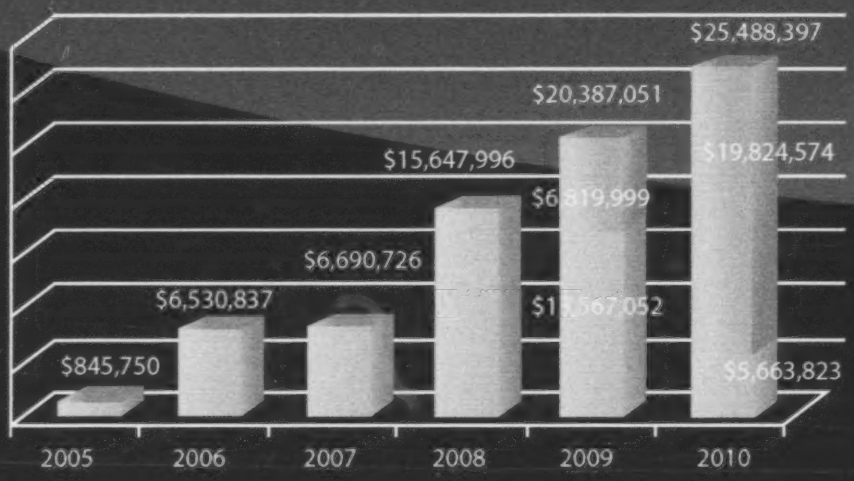
Awards

The CEO was recognized as Influential Woman in Business by Business in Vancouver, and Mentor of the Year and Newsmaker of the Year at the Northern Technology and Industry Awards. She was also honoured with an Honorary Lifetime UNBC Alumni Award. Northern Development was also selected as a finalist for Employer of the Year at the Prince George Chamber of Commerce Business Excellence Awards.

Impacts – Success to Date

Over the first five years of operations, Northern Development has approved over $90.7 million in funding with $75.6 million already disbursed to project proponents (to December of 2010). This has leveraged over $942 million in funding to the region from other sources.

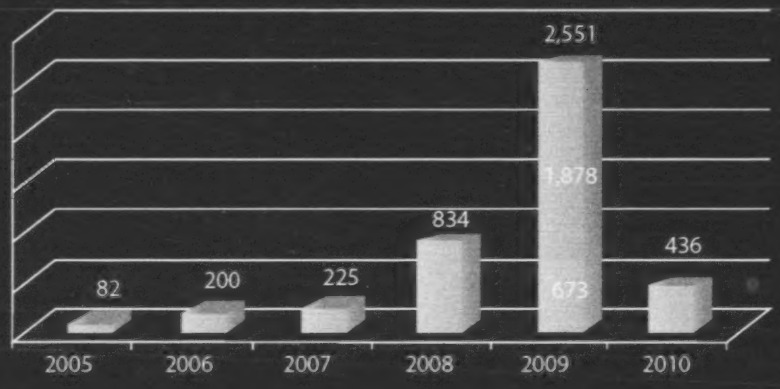
Annual Funds Disbursed by Northern Development Since Inception



Community Adjustment Fund Disbursements in Green

Northern Development continues to develop new partnerships, to increase the effectiveness of its programs, and to influence strategic economic growth in the region. Job creation is a motivator behind funding approvals, and statistics are reported back to Northern Development from project proponents for five years from project inception. Northern Development is almost halfway to reaching its 2020 goal of creating 10,000 jobs, with 4,328 jobs created to date. In 2010, total Northern Development funding disbursed divided by the number of new jobs created is $13,000 per new job.

Annual Job Creation



Community Adjustment Fund Results in Green

Financial Structure and Return on Market Investment Portfolio

Northern Development remains committed to flexible and unique funding programs that serve to increase investment in central and northern BC and diversify local economies to benefit the regions population. With a current return on investment of 40.8% in terms of funding outflow divided by the initial capitalization of $185 million and over 4,000 jobs created, Northern Development is achieving the Board's goals.

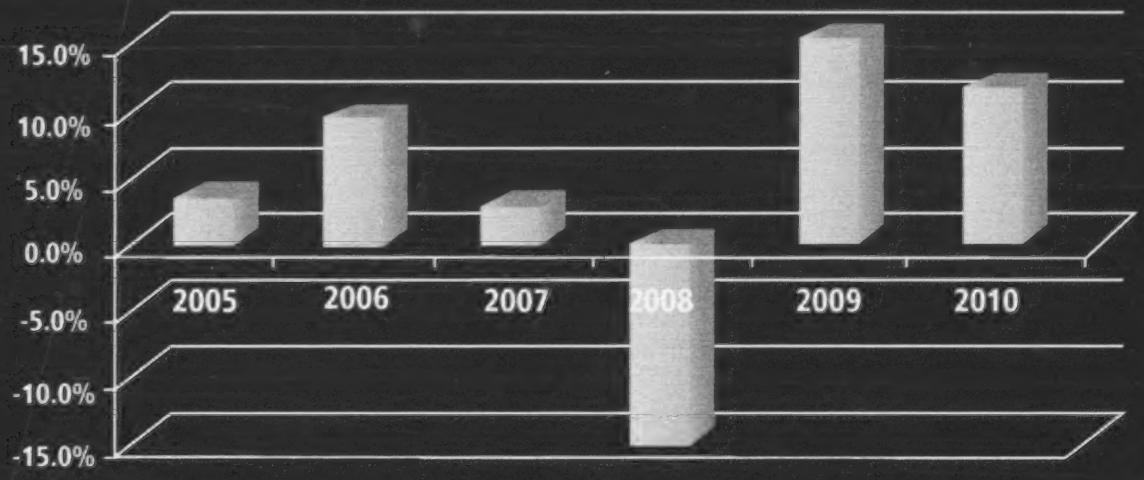
Northern Development is managed as an independent and sustainable regional economic development corporation. Accounts are invested in financial markets and regional projects in order to ensure Trust sustainability, and returns are aligned with funding outflow.

Investment income is earned through interest and the growth of equity investments. Northern Development maintains a balanced investment policy that allows for 40% of investments in fixed income financial instruments and 60% in equities.

Positive investment income and revaluation of long term investments from inception to December 31st, 2010 is $34 million, despite the global market collapse of 2008/2009. Investment income for the calendar year of 2010 was $16 million.

Current investment portfolio and loans receivable total $188.3 million which is 100% of the original fund balance, even after disbursement of over $75.6 million in project funding. Northern Development is truly a catalyst for northern opportunities and demonstrates that "the best decisions for the North can responsively be made by leaders in the North."

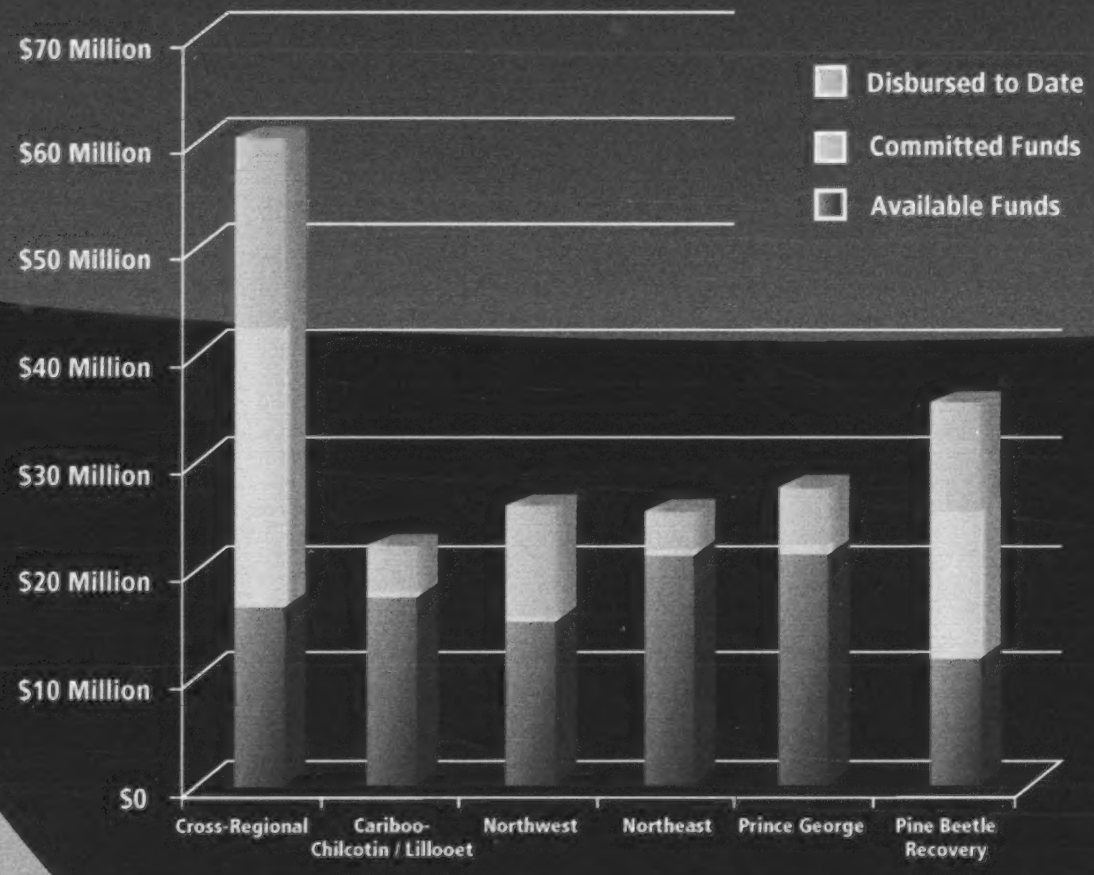
Return on Market Investment Portfolio



Summary by Account

The following graph represents the balances remaining in each of the Northern Development restricted funds at December 31st, 2010. The totals include original funds invested, investment income, and loans receivable compared with project commitments to demonstrate the balance available for future funding opportunities.

Funds Available as of December 31st, 2010



Northern Development's strategic goal is to directly, and through leveraged investment, bring between $1 and $2 billion into communities of the region by 2020, and have $185 million of seed money to do it again every decade is closer every day. This entails the creation of 10,000 jobs, a return of investment of 6.0% on invested funds, 1,000 projects and over 2,000 funding partnerships.

Deloitte

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Prince George BC V2L 5B8
Canada

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northern Development Initiative Trust

We have audited the accompanying financial statements of Northern Development Initiative Trust which comprise the balance sheet as at December 31, 2010, and the statements of operations and fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Development Initiative Trust as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Prince George, British Columbia
April 12, 2011

NORTHERN DEVELOPMENT INITIATIVE TRUST
STATEMENT OF OPERATIONS AND FUND BALANCE

year ended December 31, 2010

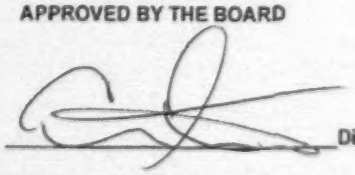
	Unrestricted	Endowment		
	Operating	Operating Endowment Account	Cross Regional Account	Pine Beetle Recovery Account
REVENUE				
Investment income	$ 771,741	$ -	$ 1,162,526	$ 759,610
Interest income - project loans	-	-	468,920	107,769
Corporate contributions	-	-	-	-
Other income/recoveries	-	-	-	-
	771,741	-	1,631,446	867,379
EXPENDITURES				
Board costs	62,646	-	-	-
Capital expenditures	94,246	-	-	-
Communication	7,223	-	-	-
Consulting	112,597	-	-	-
Direct project costs	-	-	4,981	31,985
General administration and office	329,844	-	-	-
Insurance	21,812	-	-	-
Legal and accounting	24,214	-	-	-
Regional advisory committees	14,536	-	-	-
Salaries and benefits	781,057	-	-	-
	1,448,175	-	4,981	31,985
Grants and loans (Schedule 1)	-	-	2,387,681	1,086,749
Less: Repayable portion	-	-	-	(219,940)
Net grants	-	-	2,387,681	866,809
REVALUATION OF INVESTMENTS TO MARKET	1,825,690	-	2,953,776	1,102,396
EXCESS OF REVENUE OVER EXPENDITURE	1,149,256	-	2,192,560	1,070,981
FUND BALANCE, BEGINNING OF YEAR	665,257	25,000,000	51,589,417	24,486,575
TRANSFERS TO (FROM)	(250,000)	-	-	250,000
FUND BALANCE, END OF YEAR	$ 1,564,513	$ 25,000,000	$ 53,781,977	$ 25,807,556

Restricted					Total	
Cariboo-Chilcotin Lillooet Regional Development Account	Northwest Regional Development Account	Northeast Regional Development Account	Prince George Regional Development Account	Other Trust Funds	2010	2009
$ 479,515	$ 407,080	$ 538,415	$ 574,640	$ (10,145)	$ 4,683,382	$ 4,716,860
-	-	11,593	-	-	588,282	500,573
-	-	-	-	20,196,581	20,196,581	7,224,962
-	-	-	-	-	-	5,313
479,515	407,080	550,008	574,640	20,186,436	25,468,245	12,447,708
-	-	-	-	-	62,646	58,423
-	-	-	-	-	94,246	128,534
-	-	-	-	-	7,223	5,908
-	-	-	-	-	112,597	88,391
2,100	13,421	6,901	776	94,293	154,457	40,963
-	-	-	-	-	329,844	312,016
-	-	-	-	-	21,812	19,944
-	-	-	-	-	24,214	13,850
-	-	-	-	-	14,536	30,737
-	-	-	-	-	781,057	867,723
2,100	13,421	6,901	776	94,293	1,602,632	1,566,489
516,928	462,221	994,886	142,676	19,871,325	25,462,466	20,363,662
-	(185,000)	(693,678)	-	-	(1,098,618)	(5,820,946)
516,928	277,221	301,208	142,676	19,871,325	24,363,848	14,542,716
1,394,599	1,101,720	1,526,277	1,511,771	-	11,416,229	16,008,244
1,355,086	1,218,158	1,768,176	1,942,959	220,818	10,917,994	12,346,747
17,244,189	18,187,800	20,561,553	21,087,316	336,760	179,158,867	166,812,120
-	-	-	-	-	-	-
$ 18,599,275	$ 19,405,958	$ 22,329,729	$ 23,030,275	$ 557,578	$ 190,076,861	$ 179,158,867

NORTHERN DEVELOPMENT INITIATIVE TRUST
BALANCE SHEET
as at December 31, 2010

	Unrestricted	Endowment		
	Operating	Operating Endowment Account	Cross Regional Account	Pine Beetle Recovery Account
CURRENT ASSETS				
Cash	$ 156,302	$ -	$ -	$ -
Term deposit	-	-	-	-
Miscellaneous receivables	29,630	-	1,196,375	81,943
Prepaid expenses	16,373	-	-	-
Current portion of loans receivable (Note 4)	-	-	-	1,213,388
	202,305	-	1,196,375	1,295,331
LOANS RECEIVABLE (Note 4)	-	-	10,780,000	51,136
INVESTMENTS (Note 5)	1,592,536	25,000,000	42,585,204	24,476,595
CAPITAL ASSETS (Note 6)	142,136	-	-	-
	$ 1,936,977	$ 25,000,000	$ 54,561,579	$ 25,823,062
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 230,328	$ -	$ 779,602	$ 15,506
Current portion of loans payable (Note 7)	-	-	-	-
	230,328	-	779,602	15,506
LOANS PAYABLE (Note 7)	-	-	-	-
	230,328	-	779,602	15,506
Contingencies (Note 11)				
Commitments (Note 12)				
FUND BALANCES				
Operating				
Endowment fund (Note 8)	-	25,000,000	-	-
Externally restricted - uncommitted	-	-	36,293,941	6,687,801
Externally restricted - committed (Schedule 1)	-	-	17,488,036	19,119,755
Unrestricted	1,564,513	-	-	-
	1,564,513	25,000,000	53,781,977	25,807,556
Capital				
Invested in capital assets (Note 9)	142,136	-	-	-
	1,706,649	25,000,000	53,781,977	25,807,556
	$ 1,936,977	$ 25,000,000	$ 54,561,579	$ 25,823,062

APPROVED BY THE BOARD



Director

Evan Saugstad, Chair
Northern Development Initiative Trust

Restricted					Total	
Cariboo-Chilcotin Lillooet Regional Development Account	Northwest Regional Development Account	Northeast Regional Development Account	Prince George Regional Development Account	Other Trust Funds	2010	2009
$ -	$ -	$ -	$ -	$ 461,396	$ 617,698	$ 685,924
-	-	-	-	-	-	100,000
-	-	7,397	751,856	122,841	2,190,042	773,279
-	-	-	-	-	16,373	28,337
20,657	783,077	85,803	880,000	3,534,830	6,517,755	2,628,968
20,657	783,077	93,200	1,631,856	4,119,067	9,341,868	4,216,508
12,500	2,942,173	1,206,793	-	13,994,345	28,986,947	22,278,620
18,578,507	15,690,698	21,043,719	21,412,365	-	170,379,624	157,211,176
-	-	-	-	-	142,136	121,867
$ 18,611,664	$ 19,415,948	$ 22,343,712	$ 23,044,221	$ 18,113,412	$ 208,850,575	$ 183,828,171
$ 12,389	$ 9,990	$ 13,983	$ 13,946	$ 26,659	$ 1,102,403	$ 102,539
-	-	-	-	3,534,830	3,534,830	850,000
12,389	9,990	13,983	13,946	3,561,489	4,637,233	952,539
-	-	-	-	13,994,345	13,994,345	3,594,898
12,389	9,990	13,983	13,946	17,555,834	18,631,578	4,547,437
-	-	-	-	-	25,000,000	25,000,000
18,198,640	19,061,403	20,797,897	22,365,931	(239,347)	123,166,266	131,218,105
400,635	344,555	1,531,832	664,344	796,925	40,346,082	22,246,125
-	-	-	-	-	1,564,513	694,637
18,599,275	19,405,958	22,329,729	23,030,275	557,578	190,076,861	179,158,867
-	-	-	-		142,136	121,867
18,599,275	19,405,958	22,329,729	23,030,275	557,578	190,218,997	179,280,734
$ 18,611,664	$ 19,415,948	$ 22,343,712	$ 23,044,221	$ 18,113,412	$ 208,850,575	$ 183,828,171

NORTHERN DEVELOPMENT INITIATIVE TRUST
STATEMENT OF CASH FLOWS

year ended December 31, 2010

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	$ 10,917,994	$ 12,346,747
Revaluation of investments at market, not affecting cash	(11,416,229)	(16,008,244)
Capital expenditures, included in operations	94,246	128,534
	(403,989)	(3,532,963)
Changes in non-cash operating working capital		
Increase in miscellaneous receivables	(1,416,763)	(489,536)
Decrease (increase) in prepaid expenses	11,964	(8,173)
Increase (decrease) in accounts payable and accrued liabilities	999,864	(48,338)
	(808,924)	(4,079,010)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in term deposit	100,000	(100,000)
Loans receivable advanced	(14,823,664)	(10,265,844)
Repayment of loans receivable	4,226,550	1,534,452
(Increase) decrease in investments	(1,752,219)	9,114,821
Capital asset additions	(94,246)	(128,534)
	(12,343,579)	154,895
CASH FLOWS FROM FINANCING ACTIVITY		
Increase in loans payable	13,084,277	4,444,898
(DECREASE) INCREASE IN CASH	$ (68,226)	520,783
CASH, BEGINNING OF YEAR	685,924	165,141
CASH, END OF YEAR	$ 617,698	$ 685,924

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2010

1. AUTHORITY

The Northern Development Initiative Trust is a not-for-profit organization incorporated under the Northern Development Initiative Trust Act in October 2004.

The vision of the Trust is that Northern British Columbia has world-class industries, diversified regional economies and growing, energetic communities. The mission of the Trust is to be a catalyst for Northern B.C. and grow a strong diversified economy by stimulating sustainable economic growth through strategic and leveraged investments. The British Columbia Provincial government awarded the Trust $135.0 million in 2004 and a further $50.0 million in 2005 in order to achieve these objectives.

2. FUTURE ACCOUNTING CHANGES

The CICA has issued a new accounting framework applicable to Not-for-profit entities. Effective for fiscal years beginning on January 1, 2011, entities will have to choose between International Financial Reporting Standards (IFRSs) or accounting standards for Not-for-profit organizations, whichever suits them best. Early adoption of these standards is permitted. The Entity currently plans to adopt the new accounting standards for Not-for-profit for its fiscal year beginning January 1, 2011.

3. SUMMARY OF ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Fund accounting

The Trust follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's general activities.

The Restricted Funds, Cross Regional Account, Pine Beetle Recovery Account, Caribco-Chilcotin Lillcoet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account and Prince George Regional Development Account report contributions restricted to activities outlined in their respective strategic plans. The Other Trust Funds are comprised of Western Economic Diversification Community Adjustment Fund, Young Innovator Scholarship Fund and Special Projects Fund and report contributions restricted to activities outlined in their respective strategic plans.

Revenue recognition

Externally restricted contributions received for the Operating Endowment Account, Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account, Prince George Regional Development Account and Other Trust Funds are recognized as revenue in the year received. All other externally restricted contributions received are recognized in the Operating Fund as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2010

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Investment income is recognized when the income becomes due.

Externally restricted – committed funds

Committed externally restricted funds represent funds at year end for specific project proposals that have been approved by the Board of Directors, and the cash disbursement will not occur until a future date after year end once the conditions of the signed funding agreement are met.

Externally restricted – uncommitted funds

Uncommitted externally restricted funds represent funds not committed, at year end, to specific project proposals.

Grants and repayable grants

Grants and repayable grants awarded by the Trust are recognized when the conditions of the signed funding agreement are met.

Investments

Investments are recorded at market value.

Capital assets

Capital assets are recorded at cost. Amortization of equipment is calculated based on 20% for office furniture, 30% for computers and equipment, and 100% for software, using the straight-line method, over the useful life of the equipment. Amortization of leasehold improvements is based on the original lease term of 5 years.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from the use and eventual disposition of the assets. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Income taxes

No provision has been made for income taxes in these financial statements as the Trust is exempt under Paragraph 149(1)(c) of the Income Tax Act.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from the estimates.

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2010

4. LOANS RECEIVABLE

	2010	2009
Cross Regional Development Account - Prince George Repayable commencing in 2015 including interest at bank prime rate (December 31, 2010 - 3.00%)	$ 10,780,000	$ 10,780,000
Cariboo-Chilcotin Lillooet Regional Development Account Repayable in annual instalments of $20,657 in 2011 and $12,500 in 2012	33,157	58,157
Prince George Regional Development Account Repayable in annual instalments of $880,000 in 2011	880,000	1,790,000
Northeast Regional Development Account Repayable in annual instalments of $87,400 in 2011 - 2017 including interest at 4% and quarterly instalments of $6,000 with a final payment of $267,800 in September 2020	1,292,596	688,122
Pine Beetle Recovery Account Repayable in annual instalments of $1,213,388 in 2011, $13,388 in 2011 and $37,748 in 2013, at interest rates of 0% and 6.8%, certain loans are secured by specific property, assignment of life insurance and personal guarantee	1,264,524	2,807,084
Western Economic Diversification Community Adjustment Fund Repayable in quarterly instalments of $985,256 in 2011 - 2014, and $1,765,077 in 2015	17,529,175	4,444,898
Northwest Regional Development Account Repayable in annual instalments of $783,077 in 2011, $770,485 in 2012, $546,396 in 2013, $524,396 in 2014 and $1,100,897 in 2015 - 2020. Certain loans are secured by a $500,000 standby letter of credit and registered mortgage on specific property	3,725,250	4,339,327
	35,504,702	24,907,588
Current portion	6,517,755	2,628,968
	$ 28,986,947	$ 22,278,620

The above loans were issued under funding agreements, and other than the loans as noted in the Cross Regional, Northeast and Pine Beetle Recovery Accounts, are non-interest bearing.

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2010

5. INVESTMENTS

The Trust's investments are held with SEI Investments Canada Co. The annual weighted average rate of return for 2010 was 10.7% and 13.9% for 2009. The investments are valued at current market value and accordingly have been increased by $11,416,229 in 2010 to reflect market value.

6. CAPITAL ASSETS

			2010	2009
	Cost	Accumulated Amortization	Net Book Value	
Operating fund				
Equipment	$ 333,719	$ 230,987	$ 102,732	$ 78,369
Vehicle	39,749	8,612	31,137	39,087
Leasehold improvements	10,118	1,851	8,267	4,411
	$ 383,586	$ 241,450	$ 142,136	$ 121,867

The Trust acquired capital assets at a cost of $94,246 during 2010 and $128,534 during 2009.

7. LOANS PAYABLE

The loans payable relate to the Western Economic Diversification Community Adjustment Fund and will be repaid under the same terms as detailed for the fund in Note 4.

8. ENDOWMENT FUND

The Endowment Fund was set up to receive proceeds of $25,000,000 from the Government of British Columbia in terms of the Northern Development Initiative Trust Act ("NDIT Act"). Interest or other income earned from the money invested may be used to cover operating expenses incurred by the directors and officers of the Trust to perform their obligations under the NDIT Act. Income earned on the endowment is recorded fully in the Operating Fund. Included in operations is investment income of $815,804 and revaluation of investment at market of $1,825,690 for the year ended December 31, 2010.

9. INVESTED IN CAPITAL ASSETS

	2010	2009
Change in invested in capital assets is as follows:		
Opening balance	$ 121,867	$ 42,032
Add investment in capital asset additions	94,246	128,534
Less capital asset disposals - net book value	-	(598)
Less amortization	(73,977)	(48,101)
Closing balance	$ 142,136	$ 121,867

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2010

10. CAPITAL MANAGEMENT

The Trust defines capital to be its fund balances. The Trust's objective when managing capital is to ensure its continuation as a going concern. The Balance Sheet summarizes externally restricted net assets and the activity relating to the funds for the year.

11. CONTINGENCY

The Trust is contingently liable as guarantor of loans with unrelated parties to the extent of $589,962.

12. COMMITMENTS

The Trust is in year two of a ten year agreement for the lease of premises. The lease agreement expires May 2019. The Trust has committed to $52,068 for 2011 and $62,076 per annum for the lease of the premises with price index adjustments commencing in 2014.

13. EMPLOYEE FUTURE BENEFITS

The Trust, and its employees, contribute to the BC Public Service Pension Plan (the plan), a jointly trusteed pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 55,000 active members and approximately 33,000 retired members. Active members include approximately 85 contributors from the provincial government, crown corporations, government agencies, and not-for-profit organizations.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at March 31, 2008 indicated a surplus of $487 million for basic pension benefits. Since that time, financial markets have experienced significant downturn, and trustees will continue to closely monitor the impact this financial environment is having on the plan. Despite the modest surplus, the Public Service Pension Board of Trustees is required to implement a contribution rate increase to meet the funding requirements of the Pension Benefits Standards Act. The next valuation will be as at March 31, 2011 with results available late in the year. The actuary does not attribute portions of the unfunded liability to individual employers. The Trust paid $54,342 for employer contributions to the plan in 2010.

14. FINANCIAL INSTRUMENTS

Fair values

Cash, miscellaneous receivables, and accounts payable and accrued liabilities are reflected in these financial statements at carrying values, which approximate fair values. The fair value of investments is $170,379,624 as at December 31, 2010. The fair value of the loans receivable is $33,896,405 as at December 31, 2010.

15. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

NORTHERN DEVELOPMENT INITIATIVE TRUST
SCHEDULE OF EXTERNALLY RESTRICTED - COMMITTED FUNDS

SCHEDULE 1

year ended December 31, 2010

Account	Total Funding Approved	Total Funding Received	Current year Disbursements	Prior Years Disbursements	**2010 Outstanding Commitments**	2009 Outstanding Commitments
Cross Regional Account	$ 35,039,600	$ 35,039,600	$ 2,387,681	$ 15,163,883	**$ 17,488,036**	$ 4,424,513
Pine Beetle Recovery Account	28,516,849	28,516,849	1,086,749	8,310,345	**19,119,755**	11,004,793
Cariboo-Chilcotin/Lillooet Regional Development Account	5,227,945	5,227,945	516,928	4,310,382	**400,635**	753,999
Northwest Regional Development Account	9,543,413	9,543,413	462,221	8,736,637	**344,555**	853,922
Northeast Regional Development Account	4,476,889	4,476,889	994,886	1,950,171	**1,531,832**	1,272,669
Prince George Regional Development Account	5,410,453	5,410,453	142,676	4,603,433	**664,344**	3,706,039
Other Trust Fund Disbursements	30,494,249	27,688,679	19,871,325	7,020,429	**796,925**	230,190
TOTAL	$ 118,709,398	$ 115,903,828	$ 25,462,466	$ 50,095,280	**$ 40,346,082**	$ 22,246,125

Staff

Janine North	Chief Executive Officer
Dennis Callaghan	Chief Financial Officer
Brodie Guy	Regional Manager Economic Development
Dean McKinley	Regional Manager Economic Development
Karen Borden	Executive Coordinator
Nadine Sharma	Financial Coordinator
Jeanette Stanley	Client Services Clerk
Holly Hill	Financial Analyst
Tess Elo	Finance and Accounting Assistant

Investment Managers

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